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MOORE BURGER DRIVE-IN RESTAURANTS, INC.

A CASE STUDY

by

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A REPORT

Presented to the Faculty of the Graduate School of

The University of Texas in Partial Fulfillment

of the Requirements

For the Degree of

MASTER OF BUSINESS ADMINISTRATION

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## PREFACE

The purpose of this case study is to give the reader some insight into administrative policy decisions involved in the formulation and administration of a small business. Moore Burger Drive-In Restaurants, Inc. was selected primarily because of the expressed desire of its chief executive officer, Mr. W. D. Scallon, Jr., of growth and expansion. The company was in the process of designing an expansion policy when this study was undertaken.

It is hoped that the reader will benefit through his investigation of this study by knowledge gained in exploring some of the problems involved in the metamorphosis of idea to workable small business. Thus the study is subdivided into eight sections--History, Organization, Finance, Sales and Advertising, Product Line and Pricing, Industry Trends and Outlook, Competition, and Future Plans and Objectives.

I appreciate the help and time given toward this study by Mr. W. D. Scallon, Jr., Dr. Kenneth W. Olm and Dr. R. Clifton Andersen.

## MOORE BURGER DRIVE-IN RESTAURANTS, INC.

Mr. W. D. Scallon, Jr., reminisced one day on how he got into the hamburger drive-in business.

"My brother-in-law, Harry Moore, was living in West Texas in the spring of 1953. He was playing poker with acquaintances one night and one of the players had some \$100 bills in his stack on the table. When asked if he had an oil well or two, he answered, 'No, I've got a couple of hamburger stands over in New Mexico.'"

"The next time Harry and I got together, we talked about getting into the hamburger business. Harry made arrangements for me to go out and learn something about the business."

"I was in my last semester in the Business School at the University of Oklahoma at the time. So when Easter vacation time came, I went out to New Mexico for three days to learn the hamburger business, and as soon as I graduated we were in business for ourselves."

### History

Harry Moore and W. D. Scallon, Jr., formed a partnership in June of 1953 and opened the first Moore Burger in

Blackwell, Oklahoma. Mr. Moore put up 54.5 per cent of the capital and the rest was borrowed on a one year bank note. Mr. Scallon, then twenty-four years old, managed the location and often worked 120 hours per week until the note was paid off when due.

One year after opening the first Moore Burger, Mr. Scallon went to Cushing, Oklahoma to open and operate another location. Funds were borrowed from a local bank to purchase a building and equipment. Profits from that location repaid the loan in fifteen months.

In June of 1955, Mr. Scallon moved to Stillwater to open and operate the third Moore Burger. One year later, while still operating the Stillwater location and overseeing the managers of the first two locations, Mr. Scallon arranged to open a fourth Moore Burger in Lawrence, Kansas.

"Our Stillwater experience led us to believe that college towns were good bets for Moore Burgers," said Mr. Scallon. "In the summer of 1957, my brother Charles got out of the service, so our company leased a building and land in Norman, Oklahoma, borrowed money for equipment and set him up in the fifth Moore Burger. We were able to repay this loan in seven months."

Early in 1958, a sixth Moore Burger was opened in Waco, Texas. "This was our only failure," remarked Mr. W. D. Scallon. "We never did make money on it and after about two years the highway was widened and the state bought up our location, so we were able to get out from under our investment."

In the summer of 1958, Mr. W. D. Scallon moved to Austin, Texas and opened another Moore Burger. A second Austin location was opened in November of 1962. Exhibit 1 pictures these two locations. Location number one was the standard format of building style up until 1962 when the decision was made to build more elaborate facilities, wherever traffic would support the investment.

Two other locations had been opened under the Moore Burger name but they were not owned or operated by the Moore-Scallon partnership. Mr. W. D. Scallon related the experience. "A friend of Harry's wanted to use the Moore Burger name in 1956. He paid us \$50 a month under an informal agreement for the use of the name on two locations. After about two years he quit paying us and quit using the name. We haven't made any such agreements since that time."

Exhibit 1

MOORE BURGER DRIVE-IN RESTAURANTS, INC.



Moore Burger #1, Austin, Texas

Standard Architectural Design Pre-1962



Moore Burger #2, Austin, Texas

## Organization

In July, 1958, Charles Scallon bought Harry Moore's interest in the partnership, and in 1960 Moore Burger was incorporated in the State of Oklahoma. All of the capital stock was equally divided between W. D. Scallon and Charles Scallon. Although no organization chart was prepared, Exhibit 2 represents the writer's opinion of the situation in the fall of 1963. The Blackwell, Cushing, and Stillwater locations were leased under net payment terms to persons responsible for their management.

Prior to 1962, recording of financial information was not well organized. In 1962 a new accountant was retained to maintain necessary records.

Charles Scallon was a graduate of the University of Oklahoma. He held a B.B.A. degree. The senior Mrs. Scallon was widowed and sixty-nine years of age.

## Finance

Exhibit 3 lists comparative balance sheets compiled from the information available for the years 1962-63. Exhibit 4 lists the fixed assets as of May 31, 1963.

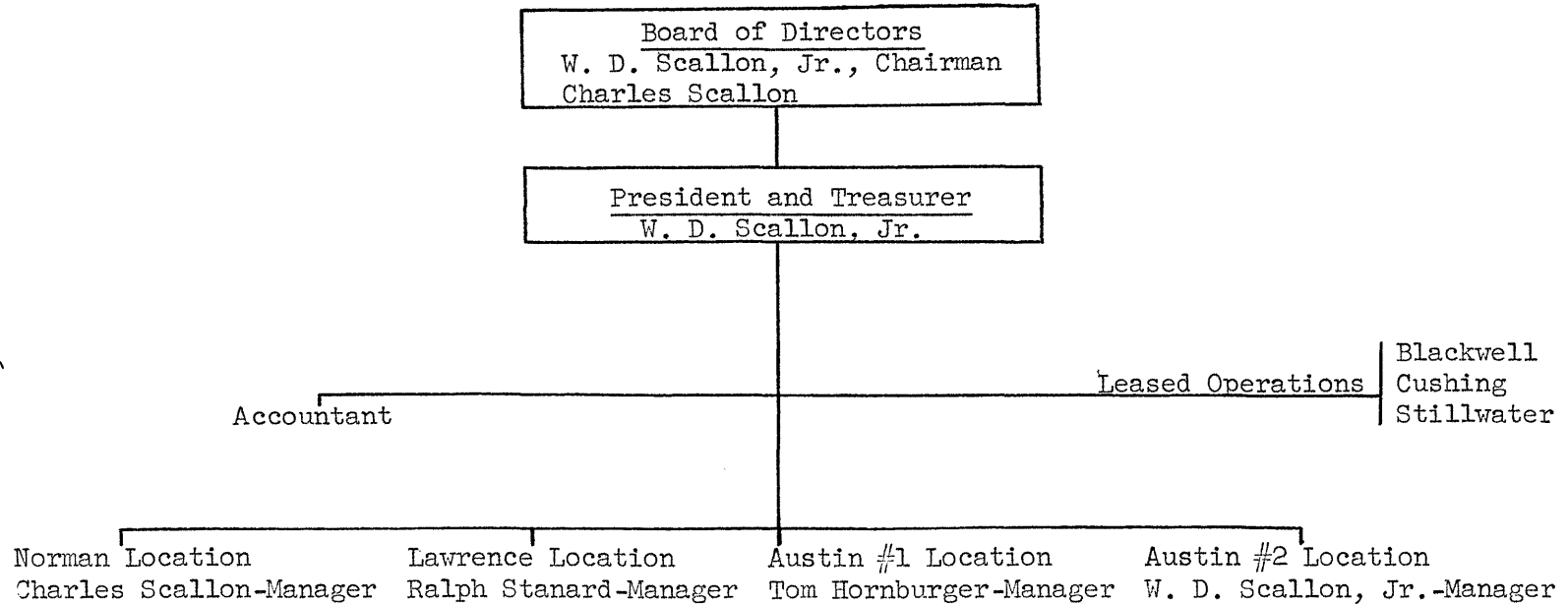
Each location had a depository bank account in the city of the location. Checks could be signed only by W. D. Scallon or Charles Scallon. Deposits were regularly forwarded



Exhibit 2

MOORE BURGER DRIVE-IN RESTAURANTS, INC.

Organization Chart



Source: Prepared by case writer from interviews with company executives.

# Exhibit 3

## MOORE BURGER DRIVE-IN RESTAURANTS, INC.

### Comparative Balance Sheets as of May 31

| <u>Assets</u>                  | 1963                | 1962                |
|--------------------------------|---------------------|---------------------|
| Cash in Banks and on hand      | \$ 3,039.48         | \$ 1,086.74         |
| Inventories                    | 2,579.40            | 2,388.24            |
| Life Insurance--C.S.V.         | 700.00              | 660.00              |
| Accounts Receivable--Officers  | 7,768.50            | ---                 |
| Total Current Assets           | \$ 14,087.38        | \$ 4,134.98         |
| Building, Equipment, Furniture | 135,869.60          | ---                 |
| Allowance for Depreciation     | 7,511.14            | ---                 |
| Total Fixed Assets             | \$128,358.46        | \$ 98,866.60        |
| Prepaid Insurance              | 1,225.00            | 950.20              |
| Deposits                       | 945.00              | 825.00              |
| Organization Expense           | 612.93              | 612.93              |
| Total Other Assets             | \$ 2,782.93         | \$ 2,388.13         |
| Total Assets                   | <u>\$145,228.77</u> | <u>\$105,389.72</u> |
| <u>Liabilities and Capital</u> | 1963                | 1962                |
| Accounts Payable               | \$ 6,664.49         | \$ 1,690.93         |
| Notes Payable                  | 23,042.44           | 9,480.16            |
| Sales Tax Payable              | 922.48              | ---                 |
| Total Current Liabilities      | \$ 30,629.41        | \$ 11,171.09        |
| Long Term Notes Payable        | 60,775.84           | 52,614.11           |
| Total Liabilities              | <u>\$ 91,405.25</u> | <u>\$ 63,785.20</u> |
| Common Stock*                  | 1,000.00            | 1,000.00            |
| Stock Due Officers             | 33,679.25           | 33,679.25           |
| Earned Surplus                 | 19,144.27           | 6,925.26            |
| Total Capital                  | <u>\$ 53,823.52</u> | <u>\$ 41,604.51</u> |

\*Authorized 100,000 shares, issued and outstanding 100 shares.

Source: Company Records.

Exhibit 4

MOORE BURGER DRIVE-IN RESTAURANTS, INC.

Schedule of Buildings, Improvements, and  
Equipment as of May 31, 1963

| Location                   | At Cost                    |                 |                 |            |
|----------------------------|----------------------------|-----------------|-----------------|------------|
|                            | Total                      | Buildings       | Equipment       | Furniture  |
| Austin, Texas #1           | \$ 23,340.19               | \$13,979.56     | \$ 9,542.63     | \$ ---     |
| Austin, Texas #2           | 41,712.55                  | 19,155.90       | 21,021.27       | 1,535.38   |
| Lawrence, Kansas           | 16,897.33                  | 7,101.87        | 9,795.46        | ---        |
| Norman, Oklahoma           | 12,454.88                  | ---             | 12,454.88       | ---        |
| Stillwater, Oklahoma       | 16,280.77                  | 7,448.61        | 8,832.16        | ---        |
| Blackwell, Oklahoma        | 14,018.05                  | 5,093.70        | 8,924.35        | ---        |
| Cushing, Oklahoma          | <u>11,165.83</u>           | <u>4,920.80</u> | <u>6,245.03</u> | <u>---</u> |
|                            | \$135,869.60               | \$57,518.44     | \$76,815.78     | \$1,535.38 |
| Allowance for Depreciation | <u>7,511.14</u>            |                 |                 |            |
| Net Fixed Assets           | <u><u>\$128,358.46</u></u> |                 |                 |            |

Source: Company Records.

to The Capital National Bank of Austin once each week by the respective banks in Lawrence and Norman.

Exhibit 5 is a schedule of notes payable as of May 31, 1963. The notes payable to Capital National Bank has been grouped together as one note in June, 1963. Payments were then put on a nine-month basis since sales suffered most in the three-month period when college students were at home. Negotiations were being carried on to lump all other debts, excluding the Austin Savings and Loan note under one note with payments on a nine-month basis also. Mr. W. D. Scallon remarked that some Texas banks were balking at granting loans to a non-Texas corporation. See Exhibit 6 for a schedule of selected balance sheet and operating ratios.

In 1956, a lumber yard next to the Blackwell Moore Burger burned. The company suffering the fire damage claimed the Moore Burger was responsible for the fire since they had been burning trash just before the fire started. A damage suit of \$55,000 was brought against Moore Burger. Although no proof could be found which implicated Moore Burger, Mr. Moore arranged for a \$25,000 out of court settlement.

A personnel difficulty in Lawrence had resulted in another loss of considerable proportion in 1958. The manager had misrepresented himself locally as part owner of the business.

## Exhibit 5

## MOORE BURGER DRIVE-IN RESTAURANTS, INC.

Schedule of Notes Payable--Banks and Others  
As of May 31, 1963

| <u>Lender</u>                                   | <u>Note Due</u> | <u>Original Amount</u> | <u>Due Date</u> | <u>Interest Rate</u> | <u>Amounts Due</u> |                        |                       |
|---|-----------------|------------------------|-----------------|----------------------|--------------------|------------------------|-----------------------|
|   |                 |                        |                 |                      | <u>Total</u>       | <u>Within One Year</u> | <u>After One Year</u> |
| Capital National Bank,<br>Austin, Texas         | 10/16           | \$10,000               | 300/Mo.         | 6%                   | \$ 4,600           | \$ 3,600               | \$ 1,000              |
| "   | 12/62           | 2,500                  | *3/63           | 6%                   | 2,400              |                        | 2,400                 |
| "   | 10/62           | 4,000                  | *1/63           | 6%                   | 3,800              |                        | 3,800                 |
| "   | 12/62           | 3,000                  | *3/63           | 6%                   | 2,900              |                        | 2,900                 |
| "   | 12/62           | 3,000                  | *3/63           | 6%                   | 2,900              |                        | 2,900                 |
| "   | 11/62           | 3,000                  | *2/63           | 6%                   | 3,000              |                        | 3,000                 |
| "   | 11/62           | 3,500                  | *2/63           | 6%                   | 3,500              |                        | 3,500                 |
| City National Bank,<br>Norman, Oklahoma         | 3/62            | 4,000                  | 200/Mo.         | 6%                   | 2,400              | 2,400                  |                       |
| Security Bank and Trust,<br>Blackwell, Oklahoma | 9/62            | 11,000                 | 300/Mo.         | 6%                   | 9,200              | 3,600                  | 5,600                 |
| First National Bank,<br>Stillwater, Oklahoma    | 10/62           | 3,180                  | 265/Mo.         | 6%                   | 1,060              | 1,060                  |                       |
| Douglas Co. State Bank,<br>Lawrence, Kansas     | 7/62            | 3,000                  | *1/63           | 6%                   | 2,500              |                        | 2,500                 |
| Total (leins on various locations)              |                 |                        |                 |                      | <u>\$38,260</u>    | <u>\$10,660</u>        | <u>\$27,600</u>       |
| *Renewable                                      |                 |                        |                 |                      |                    |                        |                       |
| Austin Saving and Loan,<br>Austin, Texas        |                 | 17,000                 | 291.68/Mo.      | 7%                   | \$16,593.10        | (7 year pay off)       |                       |
| Less Marginal                                   |                 | <u>(1,400)</u>         |                 |                      | <u>(1,400.00)</u>  |                        |                       |
|   |                 |                        |                 |                      | <u>\$15,593.00</u> |                        |                       |
| Chattel Mortgages                               |                 |                        |                 |                      |                    |                        |                       |
| Claim Settlement on Fire Loss                   |                 |                        |                 |                      | <u>\$16,365.18</u> | <u>\$ 9,151.00</u>     | <u>\$ 7,214.18</u>    |
|   |                 |                        |                 |                      | <u>\$14,000.00</u> | <u>\$ 2,000.00</u>     | <u>\$12,000.00</u>    |

Source: Company Records.

Exhibit 6

MOORE BURGER DRIVE-IN RESTAURANTS, INC.

Selected Balance Sheet and Operating Ratios

|                                    | May 31,<br>1963 | May 31,<br>1962 |
|------------------------------------|-----------------|-----------------|
| (R) Current Ratio*                 | .498            | .361            |
| (000's) Net Working Capital        | -15.3           | -6.0            |
| (R) Acid Test*                     | .415            | .241            |
| (%) Current Assets to Total Assets | 10.5            | 3.99            |
| (%) Fixed Assets to Total Assets   | 88.7            | 93.6            |
| (R) Net Worth to Debt              | .588            | .655            |
| (%) Net Worth to Total Assets      | 37.1            | 39.6            |
| (%) Long Term Debt to Total Assets | 41.7            | 50.0            |
| (%) Operation Profit to Net Sales  | 19.0**          |                 |
| (%) Operation Profit to Net Worth  | 28.2**          |                 |
| (%) Net Profit to Net Worth        | 35.6**          |                 |

\*\*Profit figure is before taxes.

\*Current assets include prepaid insurance.

Source: Prepared from Exhibits 3 and 7 by case writer.

He had not paid rent or suppliers for some time, but claimed to be paying while actually pocketing the money. After his discharge, some \$10,000 was owed by Moore Burger.

"We had insured ourselves against too many little things," said Mr. W. D. Scallon. "When the fire loss claim hit us, we realized our insurance program was inadequate. Harry always felt this was one place we could save money. In 1960, I changed the liability insurance from \$5,000 to \$100,000."

No dividends or bonuses had been paid to the stockholders or officers. All profits were being expended to meet debt obligations. (See Exhibit 5).

Mr. W. D. Scallon thought that one of his major problems was in cash control. It was difficult to keep waiters from putting sales money in their pockets and to keep them from giving away food and drinks to their buddies.

Each location reported all cash income and outgo on a Daily Cash Summary as shown in Exhibit 7. All daily supplies were paid for in cash. It was believed to be a good practice to pay cash so that bills would not "pile up."

A "Red Star" system was used to make sure that purchases were rung up on a cash register. The customers would get up to \$.50 of their purchase free if their cash register receipt bore a red star. The responsibility of overseeing the cash register was assigned on a daily basis.

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Exhibit 7

MOORE BURGER DRIVE-IN RESTAURANTS, INC.

Date \_\_\_\_\_ 196\_\_\_\_ Location \_\_\_\_\_  
Weather Conditions: \_\_\_\_\_  
Special Events: \_\_\_\_\_

DAILY CASH SUMMARY

Cash beginning . . . . . \_\_\_\_\_

Sales per Register:

FOOD . . . . . \_\_\_\_\_  
DRINKS . . . . . \_\_\_\_\_  
DAIRY . . . . . \_\_\_\_\_  
Total Sales . . . . . \_\_\_\_\_  
TAX . . . . . \_\_\_\_\_  
Total Cash, Sales & Tax . . . . . \_\_\_\_\_

Paid Outs per Invoices:

PURCHASES:

FOOD . . . . . \_\_\_\_\_  
DRINK . . . . . \_\_\_\_\_  
DAIRY . . . . . \_\_\_\_\_  
TOTAL . . . . . \_\_\_\_\_

OTHER PAID OUTS:

1. LINEN . . . . . \_\_\_\_\_  
2. RED STARS . . . . . \_\_\_\_\_  
3. POSTAGE . . . . . \_\_\_\_\_  
4. Paper Supplies . . . . . \_\_\_\_\_  
5. Equip. repairs . . . . . \_\_\_\_\_  
6. Cleaning expense . . . . . \_\_\_\_\_  
7. \_\_\_\_\_  
8. \_\_\_\_\_

TOTAL PAID OUTS \_\_\_\_\_

Cash to Account for \_\_\_\_\_

\*Cash per count \_\_\_\_\_

(over) short \_\_\_\_\_

Cash Ending

Cash Forward . . . . . \_\_\_\_\_

Deposit . . . . . \_\_\_\_\_

\*Total . . . . . \_\_\_\_\_

\*MUST BALANCE

\_\_\_\_\_  
Manager



"We are making about \$400 a month on our leased Burgers," said Mr. W. D. Scallon, "and we don't have but about \$25,000 invested. The bank keeps wanting us to sell these Burgers, but I can't see it. My mother is in Blackwell, I have a brother-in-law in Cushing, and I have a close friend in Stillwater. They each informally watch the Moore Burger in the city in which they live for cleanliness, etc."

"We own none of the real estate locations. Harry's idea was always to put as little money into our business as possible. But when we built our second Burger in Austin, I decided to lease with a ten year option to buy the real estate. We still don't have the money to buy real estate, but I like the idea of taking an option to buy."

In November, 1963, Moore Burger Drive-In Restaurants, Inc., was offered a sale and lease back proposal. It consisted of a cash payment of \$350,000 for all assets and real estate locations. It called for a cash payback of \$2,500 per month for twenty years plus a lump sum payment of \$17,500 at the end of the twenty year period.

### Sales and Advertising

See Exhibits 8 and 9 for current sales and cash flow analysis. See Exhibit 8a for sample Texas drive-in.

Yearly advertising expenditures consisted mainly of spot radio announcements and weekly ads in local high school newspapers. The newspaper ad normally was in this form:

This Coupon Is Worth 1 Free Drink (10 cents)

With Every Hamburger at Moore Burger.

Occasionally radio promotions were used. One such promotion was to participate with other merchants in awarding a free semester tuition payment for two University of Texas students. The winners were selected by a drawing.

Mr. W. D. Scallon personally selected sites for Moore Burger locations. "If a location doesn't strike me in forty minutes, I don't want it," he said. "Traffic count and all those other things don't mean a thing. At Waco we had a terrific traffic count. Right now I'm looking for big college towns. The college should have a large enrollment. I want near the campus too."

## Exhibit 8

## MOORE BURGER DRIVE-IN RESTAURANTS, INC.

## Statement of Income

Texas: Austin #1

|                                    | Jan.-May, 1963     |             | June-Dec., 1962    |             | Jan.-May, 1962     |             |
|------------------------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| Sales                              | \$36,486.25        | 100%        | \$43,024.93        | 100%        | \$42,426.82        | 100%        |
| Purchases, Net of Inventories      | <u>19,939.47</u>   | <u>54.4</u> | <u>19,038.18</u>   | <u>44.2</u> | <u>23,678.04</u>   | <u>55.8</u> |
| Gross Income                       | \$16,647.78        | 45.6        | \$23,986.75        | 55.8        | \$17,748.78        | 44.2        |
| <u>Operating Costs:</u>            |                    |             |                    |             |                    |             |
| Salaries Wages                     | \$ 6,353.30        |             | \$ 7,946.91        |             | \$ 4,150.00        |             |
| Rent                               | 1,250.00           |             | 1,750.00           |             | 1,450.00           |             |
| Utilities                          | 545.42             |             | 992.44             |             | 638.68             |             |
| Telephone                          | 153.35             |             | 694.43             |             | 454.57             |             |
| Machine Rent                       | ---                |             | ---                |             | ---                |             |
| Taxes                              | 269.14             |             | 526.48             |             | 274.85             |             |
| Supplies                           | 89.69              |             | 61.52              |             | 106.27             |             |
| Printing and Office Supplies       | ---                |             | ---                |             | 221.75             |             |
| Repairs and Maintenance, Equipment | 222.31             |             | 560.12             |             | 947.22             |             |
| Linen and Laundry                  | 567.77             |             | 812.25             |             | 409.31             |             |
| Cleaning and Sanitation            | 498.32             |             | 776.82             |             | 465.12             |             |
| Advertising                        | 119.63             |             | 124.32             |             | 77.04              |             |
| (Overage), Shortage                | (17.67)            |             | 77.93              |             | (150.24)           |             |
| Total Operating Costs              | <u>\$10,051.26</u> | <u>27.5</u> | <u>\$14,323.22</u> | <u>33.3</u> | <u>\$ 9,044.57</u> | <u>21.3</u> |
| Income from Operations             | <u>\$ 6,596.56</u> | 18.1        | <u>\$ 9,663.53</u> | 22.5        | <u>\$ 8,704.21</u> | 20.5        |

Source: Company records.

Statement of Income, continued

| <u>General and Administrative*</u> | Jan.-May, 1963            | June-Dec., 1962           | Jan.-May, 1962            |
|------------------------------------|---------------------------|---------------------------|---------------------------|
| Officers' Salaries                 | \$ 7,600.00               | \$10,650.00               | \$ 6,205.00               |
| Interest                           | 1,359.25                  | 1,482.79                  | 1,221.24                  |
| Insurance                          | 575.04                    | 1,467.51                  | 1,700.09                  |
| Legal                              | 159.59                    | 297.65                    | 436.27                    |
| Accounting                         | 500.00                    | 1,400.00                  | 850.00                    |
| Depreciation                       | 2,209.15                  | 3,092.81                  | 2,209.18                  |
| Office Supplies and Postage        | 46.80                     | 516.29                    | ---                       |
| Office Rent                        | ---                       | 390.00                    | ---                       |
| Total General and Administrative   | <u>\$12,449.53</u>        | <u>\$19,287.05</u>        | <u>\$12,621.78</u>        |
| Net Before Other Income*           | \$10,846.01               | \$ 4,233.50               | \$ 5,642.11               |
| Other Income*:                     |                           |                           |                           |
| Lease Income, Net                  | \$ 1,843.69               | \$ 1,453.73               | \$ 1,058.24               |
| Refunds and Rebates                | 540.38                    | 277.00                    | 224.91                    |
| Sales Taxes                        | ---                       | (50.04)                   | ---                       |
| Net Income*                        | <u><u>\$13,230.08</u></u> | <u><u>\$ 5,914.19</u></u> | <u><u>\$ 6,925.26</u></u> |

\*For all locations operating during period shown.

Statement of Income, continued

Texas: Austin #2

|                                    | Jan.-May, 1963     |             | Nov.-Dec., 1962   |             |
|------------------------------------|--------------------|-------------|-------------------|-------------|
| Sales                              | \$43,042.91        | 100%        | \$9,247.98        | 100%        |
| Purchases, Net of Inventories      | <u>21,951.84</u>   | <u>51.0</u> | <u>3,752.76</u>   | <u>40.6</u> |
| Gross Income                       | \$21,091.07        | 49.0        | \$5,495.22        | 59.4        |
| <u>Operating Costs:</u>            |                    |             |                   |             |
| Salaries                           | \$ 7,027.25        |             | \$1,412.87        |             |
| Rent                               | 2,297.28           |             | 1,097.95          |             |
| Utilities                          | 597.19             |             | 140.77            |             |
| Telephone                          | 316.51             |             | 121.03            |             |
| Machine Rent                       | ---                |             | ---               |             |
| Taxes                              | 296.09             |             | 101.11            |             |
| Supplies                           | 36.02              |             | 2.72              |             |
| Printing and Office Supplies       | ---                |             | ---               |             |
| Repairs and Maintenance, Equipment | 211.40             |             | 12.00             |             |
| Linen and Laundry                  | 578.19             |             | 176.12            |             |
| Cleaning and Sanitation            | 783.00             |             | 148.00            |             |
| Advertising                        | 209.41             |             | 182.60            |             |
| (Overage), Shortage                | 46.34              |             | 42.44             |             |
| Total Operating Costs              | <u>\$12,398.68</u> | <u>28.8</u> | <u>\$3,437.61</u> | <u>37.2</u> |
| Income from Operations             | <u>\$ 8,692.39</u> | 20.2        | <u>\$2,057.00</u> | 22.2        |

Statement of Income, continued

Kansas: Lawrence

|                               | Jan.-May, 1963     |             | June-Dec., 1962    |             | Jan.-May, 1962     |             |
|-------------------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| Sales                         | \$22,144.34        | 100%        | \$29,989.10        | 100%        | \$18,986.46        | 100%        |
| Purchases, Net of Inventories | <u>10,986.94</u>   | <u>49.6</u> | <u>14,633.81</u>   | <u>48.8</u> | <u>9,705.19</u>    | <u>51.1</u> |
| Gross Income                  | \$11,157.40        | 50.4        | \$15,355.22        | 51.2        | \$ 9,281.27        | 48.9        |
| <u>Operating Costs:</u>       |                    |             |                    |             |                    |             |
| Salaries                      | \$ 4,544.56        |             | \$ 6,182.33        |             | \$ 3,650.29        |             |
| Rent                          | 750.00             |             | 1,050.00           |             | 750.00             |             |
| Utilities                     | 587.37             |             | 795.03             |             | 590.29             |             |
| Telephone                     | 44.26              |             | 114.80             |             | 84.85              |             |
| Machine Rent                  | 97.40              |             | 136.36             |             | 97.40              |             |
| Taxes                         | 395.80             |             | 548.04             |             | 243.09             |             |
| Supplies                      | ---                |             | ---                |             | ---                |             |
| Printing and Office Supplies  | ---                |             | ---                |             | 103.29             |             |
| Repairs and Maintenance,      |                    |             |                    |             |                    |             |
| Equipment                     | 206.05             |             | 288.52             |             | 331.01             |             |
| Linen and Laundry             | 117.40             |             | 164.36             |             | 71.96              |             |
| Cleaning and Sanitation       | 50.90              |             | 71.32              |             | 76.42              |             |
| Advertising                   | ---                |             | 70.04              |             | ---                |             |
| (Overage), Shortage           | (3.49)             |             | (6.07)             |             | (128.80)           |             |
| Total Operating Costs         | <u>\$ 6,790.25</u> | <u>30.7</u> | <u>\$ 9,414.73</u> | <u>31.4</u> | <u>\$ 5,869.78</u> | <u>30.9</u> |
| Income from Operations        | <u>\$ 4,367.15</u> | 19.7        | <u>\$ 5,940.56</u> | 19.8        | <u>\$ 3,411.49</u> | 18.0        |

Statement of Income, continued

Oklahoma: Norman

|                               | Jan.-May, 1963     |             | June-Dec., 1962    |             | Jan.-May, 1962     |             |
|-------------------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| Sales                         | \$21,995.83        | 100%        | \$33,408.19        | 100%        | \$26,134.64        | 100%        |
| Purchases, Net of Inventories | <u>10,826.74</u>   | <u>49.2</u> | <u>17,119.27</u>   | <u>51.2</u> | <u>13,309.91</u>   | <u>50.1</u> |
| Gross Income                  | \$11,169.09        | 50.8        | \$16,288.92        | 48.8        | \$12,824.73        | 49.1        |
| <u>Operating Costs:</u>       |                    |             |                    |             |                    |             |
| Salaries                      | \$ 3,791.28        |             | \$ 4,879.56        |             | \$ 3,771.48        |             |
| Rent                          | 987.50             |             | 1,382.50           |             | 1,075.00           |             |
| Utilities                     | 733.99             |             | 1,329.16           |             | 651.64             |             |
| Telephone                     | 411.15             |             | 826.20             |             | 587.45             |             |
| Machine Rent                  | ---                |             | ---                |             | ---                |             |
| Taxes                         | 151.64             |             | 255.10             |             | 233.26             |             |
| Supplies                      | 4.00               |             | 6.05               |             | ---                |             |
| Printing and Office Supplies  | ---                |             | ---                |             | 228.07             |             |
| Repairs and Maintenance,      |                    |             |                    |             |                    |             |
| Equipment                     | 175.25             |             | 245.41             |             | 252.65             |             |
| Linen and Laundry             | 302.20             |             | 423.13             |             | 230.58             |             |
| Cleaning and Sanitation       | 60.30              |             | 84.45              |             | 274.82             |             |
| Advertising                   | 119.20             |             | 200.54             |             | 72.10              |             |
| (Overage), Shortage           | <u>6.55</u>        |             | <u>65.57</u>       |             | <u>(17.65)</u>     |             |
| Total Operating Costs         | \$ 6,743.07        | 30.7        | \$ 9,697.67        | 29.0        | \$ 7,379.40        | 28.2        |
| Income from Operations        | <u>\$ 4,426.01</u> | <u>20.1</u> | <u>\$ 6,591.24</u> | <u>19.7</u> | <u>\$ 5,445.33</u> | <u>20.6</u> |

Statement of Income, continued

Oklahoma: Blackwell\*

|                               | Jan.-May, 1963     |               | June-Dec., 1962    |             | Mar.-May, 1962    |             |
|-------------------------------|--------------------|---------------|--------------------|-------------|-------------------|-------------|
| Sales                         | \$5,716.93         | 100%          | \$23,051.70        | 100%        | \$8,961.71        | 100%        |
| Purchases, Net of Inventories | <u>3,476.84</u>    | <u>60.8</u>   | <u>12,136.98</u>   | <u>52.7</u> | <u>5,076.61</u>   | <u>56.7</u> |
| Gross Income                  | \$2,240.09         | 39.2          | \$10,914.72        | 47.3        | \$3,885.10        | 43.3        |
| <u>Operating Costs:</u>       |                    |               |                    |             |                   |             |
| Salaries                      | \$2,086.17         |               | \$ 5,105.69        |             | \$2,049.91        |             |
| Rent                          | 150.00             |               | 350.00             |             | 175.00            |             |
| Utilities                     | 363.93             |               | 800.74             |             | 315.95            |             |
| Telephone                     | 81.68              |               | 116.22             |             | 66.92             |             |
| Machine Rent                  | ---                |               | ---                |             | ---               |             |
| Taxes                         | 172.12             |               | 301.16             |             | 137.86            |             |
| Supplies                      | 29.15              |               | 40.87              |             | ---               |             |
| Printing and Office Supplies  | ---                |               | ---                |             | 80.05             |             |
| Repairs and Maintenance,      |                    |               |                    |             |                   |             |
| Equipment                     | ---                |               | 550.60             |             | 204.57            |             |
| Linen and Laundry             | 84.03              |               | 196.11             |             | 82.65             |             |
| Cleaning and Sanitation       | 55.29              |               | 129.01             |             | 100.42            |             |
| Advertising                   | ---                |               | 33.73              |             | 14.13             |             |
| (Overage), Shortage           | 4.25               |               | 42.52              |             | 21.90             |             |
| Total Operating Costs         | <u>\$3,026.62</u>  | <u>53.0</u>   | <u>\$ 7,666.65</u> | <u>33.3</u> | <u>\$3,249.36</u> | <u>36.3</u> |
| Income from Operations        | <u>(\$ 786.53)</u> | <u>(13.8)</u> | <u>\$ 3,248.07</u> | <u>14.1</u> | <u>\$ 635.74</u>  | <u>7.09</u> |

\*Note: Blackwell, Oklahoma location leased as of April 15, 1963.



Statement of Income, continued

Oklahoma: Stillwater

|                                    | June-Dec., 1962   |             | Mar.-May, 1962  |             |
|------------------------------------|-------------------|-------------|-----------------|-------------|
| Sales                              | \$8,644.78        | 100%        | \$9,059.82      | 100%        |
| Purchases, Net of Inventories      | <u>7,371.24</u>   | <u>85.3</u> | <u>5,282.78</u> | <u>58.3</u> |
| Gross Income                       | \$1,273.24        | 14.7        | \$5,777.04      | 41.7        |
| <u>Operating Costs:</u>            |                   |             |                 |             |
| Salaries                           | \$3,451.06        |             | \$2,513.68      |             |
| Rent                               | 400.00            |             | 300.00          |             |
| Utilities                          | 510.96            |             | 175.11          |             |
| Telephone                          | 71.43             |             | 84.53           |             |
| Machine Rent                       | ---               |             | ---             |             |
| Taxes                              | 181.87            |             | 128.82          |             |
| Supplies                           | 2.00              |             | 56.78           |             |
| Printing and Office Supplies       | ---               |             | 94.21           |             |
| Repairs and Maintenance, Equipment | 476.04            |             | 100.36          |             |
| Linen and Laundry                  | 123.02            |             | 90.72           |             |
| Cleaning and Sanitation            | 15.27             |             | 70.82           |             |
| Advertising                        | 6.70              |             | 72.24           |             |
| (Overage), Shortage                | <u>10.36</u>      |             | <u>22.64</u>    |             |
| Total Operating Costs              | \$5,253.71        | 60.3        | \$3,709.92      | 40.9        |
| Income from Operations             | <u>(3,980.47)</u> | (46.0)      | <u>\$ 67.12</u> | .07         |

Exhibit 8a

Sample Texas Drive-In Restaurant  
Operating Sales, Expenses, Profits

January, 1960

|                    |                    |
|--------------------|--------------------|
| Sales              | 100.00%            |
| Cost of Sales      | <u>40.76</u>       |
| Gross Profit       | 59.24              |
| Manager's Salary   | 2.45               |
| Labor              | 22.16              |
| Operating Expenses | 21.63              |
| Depreciation       | 4.17               |
| Net Profit         | <u><u>8.83</u></u> |

Source: Texas Restaurant Association.

Exhibit 9

MOORE BURGER DRIVE-IN RESTAURANTS, INC.

Statement Accounting for Variation in Cash  
For the Year Ended May 31, 1963

Cash was increased by:

Net Income from operations:

|                                |             |
|--------------------------------|-------------|
| June 1, 1962, to Dec. 31, 1962 | \$ 5,914.19 |
|--------------------------------|-------------|

|                                  |                  |
|----------------------------------|------------------|
| January 1, 1963, to May 31, 1963 | <u>13,230.08</u> |
|----------------------------------|------------------|

\$19,144.27

|                                 |                 |
|---------------------------------|-----------------|
| Add: Allowance for depreciation | <u>5,301.96</u> |
|---------------------------------|-----------------|

|                                 |             |
|---------------------------------|-------------|
| Total Available from operations | \$24,446.23 |
|---------------------------------|-------------|

Notes payable (loans from banks and others)

|      |          |
|------|----------|
| Open | 9,680.00 |
|------|----------|

|            |                  |
|------------|------------------|
| Collateral | <u>34,367.81</u> |
|------------|------------------|

|                      |                           |
|----------------------|---------------------------|
| Total cash increases | <u><u>\$68,494.04</u></u> |
|----------------------|---------------------------|

Cash was decreased by:

|                          |             |
|--------------------------|-------------|
| Purchase of fixed assets | \$35,134.31 |
|--------------------------|-------------|

|                                 |           |
|---------------------------------|-----------|
| Payments of notes and mortgages | 22,323.80 |
|---------------------------------|-----------|

|                  |          |
|------------------|----------|
| Officers drawing | 7,768.50 |
|------------------|----------|

|          |        |
|----------|--------|
| Deposits | 394.80 |
|----------|--------|

|               |               |
|---------------|---------------|
| Miscellaneous | <u>919.89</u> |
|---------------|---------------|

|                      |                           |
|----------------------|---------------------------|
| Total cash decreases | <u><u>\$66,541.30</u></u> |
|----------------------|---------------------------|

|                        |                           |
|------------------------|---------------------------|
| Increase in cash (net) | <u><u>\$ 1,952.74</u></u> |
|------------------------|---------------------------|

Source: Company Records.

Product Line and Pricing

Mr. W. D. Scallion's philosophy about specializing in hamburgers was that a drive-in could only prepare one food well. He remarked, "You can't put out as good a hamburger if you put out other foods. Also, preparation of other dishes would slow down our service. We are proud of our hamburger and our fast service." See Exhibit 10 for a menu listing of Austin locations.

Mr. Scallion continued, "We got our original price of 20 cents and 30 cents for hamburgers from the drive-in I first worked in. We've since had to raise the price a little. You just can't put out a good hamburger for less. I don't like to deal with inexpensive merchandise and it's hard to fool people on food. When we put in a Burger I check with others in our business to see which supplier has the best meat and produce. I'm pretty particular about what kind of meat we buy. Bread is just about the same from any source, so I go by service when selecting a bread supplier."

MOORE BURGER DRIVE-IN RESTAURANTS, INC.



# "MOORE" BURGER

## MALTS SHAKES

**NO. 11**  
**300**  
**West 19th**  
**GR 2-7918**

**NO. 1**  
**2701**  
**Guadalupe**  
**GR 7-1068**

HOURS 11:00 a.m. — 1:00 a.m.  
FRIDAY & SATURDAY 11:00 a.m. — 2:00 a.m.  
Open 7 Days a Week "Year 'Round"

| MENU                     | DRINKS  |
|--------------------------|---|
| <b>"OUR SPECIALTY"</b>   |   |
| "Moore Burger" ..... .35 | Malts & Shakes, all flavors ..... .25         |
| "Less Burger" ..... .25  | Coke, 7-Up, Root Beer,                        |
| (with Cheese 10c extra)  | Dr. Pepper ..... .10, .15, .25                |
| Grilled Cheese ..... .25 | Freezes ..... .25      Floats ..... .15 & .25 |
| FRENCH FRIES ..... .25   | Orange Slush, Grape Slush,                    |
|                          | Lemon-Lime ..... .10, .15, .25                |
|                          | Coffee, Milk, Choc. Milk & Hot                |
|                          | Chocolate ..... .10                           |

**SUNDAES**  
Black Raspberry  
Pineapple—Cherry  
Choc.—Strawberry  
Butterscotch

**Hot Fudge**  
Hot  
Butterscotch  
.20 & .30

**FROZEN DELIGHT**  
Qts. .50  
Pts. .25  
Cones .05, .10, .15  
Fried Pies .10

**Plain & Barbecue**  
**Potato Chips**  
**and Fritos**

### Industry Trends and Outlook

In 1962, according to the industry's leading trade journal, Drive-in Management, approximately 4,000 drive-in restaurants began operating. Some 80% of the 42,000-odd drive-ins operating at the beginning of 1963 were started in the decade previous.

Teen-agers account for over one-third of the industry's volume, estimated in 1963 to be some \$6 billion. As one operator remarked: "Teen-agers are the world's best repeat customers. They not only come back day after day, they even come back several times the same day." At the end of 1963 Drive-in Management estimated the population in the U.S. of the 13-20 year age group to be 20,000,000, and the income of this group to be \$22 billion annually.

Drive-ins ranged from inexpensive small stands with very little equipment to \$500,000 establishments. The more expensive establishments were less specialized in their product line. Quick-to-prepare frozen foods were becoming prevalent. Also, much modern equipment was helping operators to cut time needed for food and drink preparations.

### Competition

At the end of 1962, Barron's reported that most drive-ins were independently owned, single units, with fewer than 10% operated as chains of five or more. Most chains were privately held. One of the larger privately held systems is McDonald's Corp., headquarters in Chicago with an annual volume of over \$75 million. McDonald's Corp. operated one drive-in in Austin, Texas, specializing with the 15 cents hamburger. Volume in 1963 was estimated at \$100 million with some 600 units in the chain.

Some chains expanded only through franchising. At least one large chain, operating in thirty-five states, required \$60,000 cash-in-hand of the franchisee plus centralized bookkeeping. The passing of systematic inspections for cleanliness and upkeep conditions was also required.

### Future Plans and Objectives

"The Waco experience and the lawsuit taught us the hard way. I'm not interested in getting too big. I want to pay off our loans and buy the land our Austin Burgers are on and then expand cautiously and slowly when we have the money to do it."

"We also want to franchise now. If others put up all of the money for a Moore Burger and I approve of the location, we'll give them our name for about \$100 a month. We'll give exclusive territory rights, blueprints of Austin #2, the benefit of discounts on purchases of paper goods, the publicity of all our locations, we'll save them money on buying equipment, and we'll teach them the business. They won't have to spend two to three years learning the hard way."

"I believe franchising is the way for us to expand," spoke Mr. W. D. Scallon of the future.

No method was now formulated for recruiting franchisees. Training was to be for a six-weeks period at the Austin #2 location under the personal direction of Mr. W. D. Scallon.



## BIBLIOGRAPHY OF SOURCES FOR INDUSTRY DATA

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Drive-in Management, January, 1964, pp. 31 ff.

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Restaurant Management, July, 1962, pp. 32 ff.